

OVERVIEW OF BUDGET

DEPARTMENT: COUNTY ADMINISTRATIVE OFFICE
COUNTY ADMINISTRATIVE OFFICER: JOHN MICHAELSON
BUDGET UNIT: CONTINGENCIES AND RESERVES
(AAA CNA, CNG, CNR, CON)

I. GENERAL PROGRAM STATEMENT

Board Policy requires the county to maintain an appropriated contingency fund to accommodate unanticipated operational changes, legislative impacts or other economic events affecting the county's operations which could not have reasonably been anticipated at the time the budget was prepared. Funding for contingencies is targeted at 1.5% of locally funded appropriations. The contingency budget also includes an annual base allocation of \$1,000,000 for high priority district and program needs. Final budget action includes a provision that allocates any difference between estimated and final fund balance to contingencies. Any such difference is allocated to the set aside for specific uncertainties.

County reserves include both general purpose and specific purpose reserves. General purpose reserves are funds held to protect the county from unforeseen increases in expenditures or reductions in revenues, or other extraordinary events, which would harm the fiscal health of the county. Board policy requires the establishment of an ongoing general purpose reserve for the general fund targeted at 10% of locally funded appropriations. Specific reserves are funds held to meet future known obligations or to build a reserve for capital projects.

II. BUDGET & WORKLOAD HISTORY

	Actual 2000-01	Budget 2001-02	Actual 2001-02	Budget 2002-03
Contingencies				
Per County Policy	-	4,530,000	-	4,790,447
Set aside for Grant Matches	-	1,100,000	-	-
Set aside for Specific Uncertainties	-	23,665,771	-	41,081,132
Transfers - High Priority Policy Needs	457,000	2,101,175	455,971	2,645,204
	<u>457,000</u>	<u>31,396,946</u>	<u>455,971</u>	<u>48,516,783</u>

Actual uses of contingencies are reflected in departmental budget units.

III. HIGHLIGHTS OF BOARD APPROVED CHANGES TO BUDGET (see attachments for detailed changes)

A. Contingencies

A base allocation to the contingency budget of \$4,790,447 is established pursuant to Board policy, based on 1.5% of the projected locally funded appropriations of \$319.3 million. An additional base allocation of \$1,000,000 (transfers) is established for high priority district and program needs.

In final budget action, the Board allocated an additional \$41,081,132 of available financing to contingencies. This amount is set aside for specific uncertainties. Specific uncertainties include uncertainty surrounding state finances, salary negotiations with the county's safety employees whose contract expires on December 13, 2002, and rising retirement costs due to lower than expected returns in the Retirement Board's investment portfolio. The Board also re-appropriated the unspent allocation of \$1,645,204 of the 2001-02 high priority needs to the 2002-03 budget bringing the total to \$2,645,204.

B. Reserves/Designations

General purpose reserves are increased by \$1.7 million to conform to the Board policy. This increase is based on 10% of the projected locally funded appropriations of \$319.3 million and brings the balance of general purpose reserves to \$31.9 million.

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During 2001-02 the Board approved the use of \$250,000 of the Justice Facilities Reserve for the Foothill Law and Justice Center Program Logic Control Replacement Project. The Board also approved the cancellation of the planned contribution of \$3.3 million to the Justice Facilities Reserve due to the under realization of revenues from the U.S. Marshal contract.

During 2001-02 the Board also approved the establishment of two new reserves. The Teeter Reserve was established by Board action, and includes the amount that is legally required to be set-aside (approximately 1/3 of the total reserve). Prior to 2001-02, Teeter funds, including the legally required reserve, were held in a separate fund. The Board also established a Restitution Reserve to set-aside the monies recovered in the on-going corruption lawsuits to cover the continuing costs of this litigation.

In 2002-03 a reserve of \$2 million for equity studies for the county's general employees will be established pursuant to the new MOU agreement. The Medical Center Debt Service reserve has been increased slightly to reflect a planned contribution pursuant to the Medical Center Financing Plan. The projected use of \$900,000 of the restitution reserve represents the estimated 2002-03 expense of the continuing corruption litigation.

	2001-02 Designations	2001-02 Mid-Year Uses/ Cancelled Contributions	2002-03 Planned (Uses)/ Contributions	2002-03 Designations
Total General Purpose Reserves	30,227,528		1,708,782	31,936,310
Specific Purpose Reserves				
Medical Center Debt Service	31,992,306		82,599	32,074,905
Justice Facilities	8,505,408	(3,550,000)		4,955,408
West Valley Juvenile Max Security Facility	1,492,986			1,492,986
Future Retirement Rate Increase	1,500,000			1,500,000
Equity Pool			2,000,000	2,000,000
Teeter	19,260,087			19,260,087
Restitution	8,858,662		(900,000)	7,958,662
Total Specific Purpose Reserves	71,609,449	(3,550,000)	1,182,599	69,242,048
Total Reserves/Designations	101,836,977	(3,550,000)	2,891,381	101,178,358